

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
TOWN OF MODOC
RANDOLPH COUNTY, INDIANA
January 1, 2003 to December 31, 2005



FILED
10/17/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rachael Griffey	09-10-02 to 08-22-03
	Sharon Lankford (Interim)	08-23-03 to 10-31-03
	Robin Ray	11-01-03 to 11-30-05
	Sharon Lankford (Interim)	12-01-05 to 12-31-06
President of the Town Council	Sharon Lankford	01-01-03 to 12-31-05
	David Sexton	01-01-06 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MODOC, RANDOLPH COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Modoc (Town), for the period of January 1, 2003 to December 31, 2005. The Town's management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2003, 2004, and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

September 11, 2006

TOWN OF MODOC
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2003, 2004, And 2005

	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
Governmental Funds:				
General	\$ 11,482	\$ 30,804	\$ 32,342	\$ 9,944
Motor Vehicle Highway	6,137	6,154	6,286	6,005
Local Road and Street	8,338	1,141	-	9,479
Law Enforcement Continuing Education	26	-	-	26
Cumulative Capital Improvement	1,362	932	-	2,294
Economic Development Income Tax	175,896	1,093	1,256	175,733
Riverboat	-	1,423	-	1,423
Fiduciary Fund:				
Levy Excess	-	119	119	-
Totals	<u>\$ 203,241</u>	<u>\$ 41,666</u>	<u>\$ 40,003</u>	<u>\$ 204,904</u>

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 9,944	\$ 27,236	\$ 34,621	\$ 2,559
Motor Vehicle Highway	6,005	5,506	6,339	5,172
Local Road and Street	9,479	960	-	10,439
Law Enforcement Continuing Education	26	22	-	48
Cumulative Capital Improvement	2,294	713	-	3,007
Economic Development Income Tax	175,733	1,364	-	177,097
Riverboat	1,423	-	-	1,423
Rainy Day	-	1,804	-	1,804
Totals	<u>\$ 204,904</u>	<u>\$ 37,605</u>	<u>\$ 40,960</u>	<u>\$ 201,549</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 2,559	\$ 55,198	\$ 38,306	\$ 19,451
Motor Vehicle Highway	5,172	8,999	10,548	3,623
Local Road and Street	10,439	1,066	862	10,643
Law Enforcement Continuing Education	48	148	-	196
Cumulative Capital Improvement	3,007	791	-	3,798
Economic Development Income Tax	177,097	69,058	31	246,124
Riverboat	1,423	1,419	-	2,842
Rainy Day	1,804	-	-	1,804
Totals	<u>\$ 201,549</u>	<u>\$ 136,679</u>	<u>\$ 49,747</u>	<u>\$ 288,481</u>

The accompanying notes are an integral part of the schedules.

TOWN OF MODOC
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF MODOC
NOTES TO SCHEDULES
(Continued)

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Unreceipted Taxes

Taxes were distributed by the County Treasurer but not yet receipted to the General Fund at each year-end in the following amounts:

December 31, 2002	\$	12,675
December 31, 2003		12,942
December 31, 2004		29,039
December 31, 2005		15,864

The distributions were receipted in the subsequent year.

Note 7. Subsequent Event

The Town is in the planning process for a wastewater utility. Construction will be funded by grants, a debt issue and approximately \$200,000 from the Economic Development Income Tax Fund.

TOWN OF MODOC
EXAMINATION RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

Clerk-Treasurer Robin Ray received pay for 13 months in 2005, even though she was replaced effective December 1. As a result, she received \$369.40 of net pay in excess of the amount listed on the salary ordinance or resolution. Robin Ray was requested to reimburse the Town \$369.40 for the overpayment. (See Summary on page 10)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

All County tax distributions were deposited from 8 to 148 days after the check date. Prior to converting to electronic deposits in late 2003, state distributions were deposited an average of 17 days after the check date.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

FUND SOURCES AND USES

Approximately 28% of state distributions were receipted to incorrect funds.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MODOC
EXAMINATION RESULTS AND COMMENTS
(Continued)

TIMELY RECORDKEEPING

Each year, over \$12,000 of tax distributions were not receipted or reported until the next year.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

Approval for appropriations was not obtained from the Indiana Department of Local Governmental Finance for the Economic Development Income Tax Fund in 2003 and for any funds in 2005.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

RECEIPT ISSUANCE

Receipts were not issued until December of 2005.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MODOC
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2006, with Sharon Lankford, Interim Clerk-Treasurer, and David Sexton, President of the Town Council. The officials concurred with our findings.


TOWN OF MODOC
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Robin Ray, Clerk-Treasurer Compensation and Benefits, page 7	<u>\$ 369.40</u>	<u>\$ -</u>	<u>\$ 369.40</u>

AFFIDAVIT

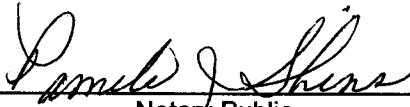
STATE OF INDIANA)
)
RANDOLPH COUNTY)

I, Barry Moore, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Modoc, Randolph County, Indiana, for the period from January 1, 2003 to December 31, 2005, is true and correct to the best of my knowledge and belief.



Field Examiner

Subscribed and sworn to before me this 10 day of October, 2006.



Notary Public

My Commission Expires: 5/23/2008
County of Residence: Delaware

PAMELA J. SHINN, Notary Public
A Resident of Delaware County
My Commission Expires May 20, 2008.